

**RR-DTE-7
Attachment**
Colonial Gas Company
Return on Average Common Equity

(000 omitted)

	2003	2003 Without Exogenous Cost
Net Income Calculation:		
Utility Operating Income DTE page 10, Line 18	33,821	33,821
Less Exogeneous Costs		(932)
Net of Tax Effect		280
Less Exogeneous Costs net tax		(652)
Add: Other Income DTE page 10, Line 25	422	422
Add: Other Income Deductions DTE page 10, Line 30	(123)	(123)
Add: Amortization of Acquisition Premium	-	-
Add: service quality penalties	-	-
Less: Allocated Interest(See Below)	(24,032)	(24,032)
Net Utility Income Available for Common Shareholders	10,088	9,435
Calculation of Allocated Interest:		
DTE page 10, Lines 39 and 48	24,032	24,032
DTE page 8, Line 2	855,683	855,683
DTE page 8, Line 8	4	4
Total	855,686	855,686
% of Line 2 to Total	1.0000	1.0000
DTE page 8, line 4 (Capital Leases)	-	-
Total	855,686	855,686
% of Line 2 to Total + Capital Leases	1.0000	1.0000
Allocated Interest(Line 27 above times Line 38)	24,032	24,032
Total Utility Common Equity:		
Proprietary Capital - DTE page 9,Line 13	427,343	427,343
Less effect of exogeneous costs		(652)
Adjusted Proprietary Capital		426,690
Less preferred: DTE Page 9, Line 4	-	-
Less: Unamortized Acquisition Premium	(377,292)	(377,292)
Add back: Push down Debt(NOTE A)	64,000	64,000
Total Equity	114,051	113,398
% Above	1.0000	1.0000
Ending Utility Common Equity	114,050	113,398
Beginning Utility Common Equity	102,861	102,861
Total	216,911	216,259
Average Common Equity	108,456	108,129
NET UTILITY INCOME DIVIDED BY AVERAGE EQUITY	9.30%	8.73%

Note A: The Department ruling dated April 3, 2003 did not consider adding back the unamortized acquisition premium supported by the push-down debt. Without this add back, equity would be negative. Therefore we have deducted only the equity portion from the unamortized acquisition premium.

NOTE B: The Company has interpreted footnote 6 in the Department's letter of April 3, 2003 to mean that the equity will be multiplied times the ratio of the utility plant to the total of utility plant and other property. The Company believes that the Department intended gas companies to exclude amounts not supported by proprietary capital, which would result in the exclusion of capital leases from proprietary capital.